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C O N F I D E N T I A L SECTION 01 OF 02 LIMA 003489

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TAGS: ECON APEC ETRD PTER PE

SUBJECT: APEC: PERU SUPPORTS CTTF EXTENSION, OPPOSES PROFESSIONAL ED

REF: A.STATE 139460 B.LIMA 3068 C.STATE 121653

Classified By: Deputy Econ Counselor Howell Howard, Reasons 1.4 (b) and (d)

¶11. (C) Summary: The GOP supports an extension of APEC's Counter-Terrorism Task Force, and suggests Thailand as a possible new chair. The GOP generally agrees with the USG's priorities for APEC 2006, with one notable exception: the GOP strongly opposes the creation of a professional Executive Director position that would "rob" Peru of its right to that position as chair in 2008. The GOP also opposes granting India membership in APEC without adding a Latin American economy to maintain balance (e.g. Colombia and/or Ecuador). The GOP may also request a bilateral meeting between President Bush and President Garcia in Hanoi. GOP priorities for APEC 2006 include: Doha, security, technical cooperation, trade facilitation and liberalization, anti-corruption, and small and medium enterprises. End Summary.

¶12. (SBU) On August 28, Econoff delivered Ref A demarche seeking support for a two-year extension of the Asia-Pacific Economic Cooperation (APEC) Forum's Counter Terrorism Task Force (CTTF) to the GOP's lead on APEC issues, Ambassador Juan Capunay of the MFA's Asia/Pacific Subsecretariat. Econoff and Amb. Capunay also discussed Ref C points on the USG's and GOP's priorities for APEC 2006 (See Ref B for Trade Ministry's comments on Ref C).

COUNTER-TERRORISM TASK FORCE

¶13. (SBU) Amb. Capunay said that "of course" Peru supports extension of CTTF's mandate. He even said Peru would apply for the CTTF chair position if it were not precluded from doing so because Peru will chair Economic and Technical Cooperation (ECOTEC) in 2007, in preparation for assuming the APEC chair in 2008. Noting that Indonesia and the Philippines had already served as CTTF chair, he suggested Thailand as a possible candidate that had experience with terrorist attacks and was not chairing any other committees.

APEC EXECUTIVE DIRECTOR

¶14. (C) Amb. Capunay had very strong opinions regarding the creation of a permanent Executive Director position. He said the President of Peru had already approved the Peruvian who would head the Secretariat in 2008. He called plans to "rob" Peru of its "right" to chair as host in 2008 "offensive and unfriendly." He noted that the Peruvian chair would be the main advisor to the Peruvian President on APEC matters leading up to and during the ministerial and leaders' meeting in Lima. He said that person would be a crucial link between the GOP and APEC, and that the selection of an outsider would complicate preparations for the 2008 meetings. He also explained that the GOP was using APEC as an impetus for

domestic policy reform, including decentralization, at both the national and regional level.

¶15. (C) Amb. Capunay mentioned that candidates for the proposed Executive Director position included a Singaporean and someone from the Balkan region (which, he noted, is not even a member of APEC). He urged that if members agree a professional Executive Director was the way to go, that it not take effect until 2009 (when Singapore will be the host).

Amb. Capunay said he had already discussed Peru's views on this with Amb. Michalak and the Australian Ambassador.

APEC REFORM & NEW MEMBERS

¶16. (SBU) Amb. Capunay said the GOP felt APEC reform must be real political reform, and not just cosmetic. He said there was currently a divorce between the leaders' meetings and the Senior Officials Meetings (SOMs), where the SOMs did not always implement the leaders' decisions. The GOP supports strengthening the link between the leaders, the SOMs and the committees. Amb. Capunay said that instead of the creation of a professional Executive Director position, the GOP supports the original USG proposal of creating a Deputy Director position (business or management-oriented) under the Executive Director. He maintained that the Executive Director position should continue to be filled by a political appointee, as only someone with political clout could effectively communicate with member economies' governments.

¶17. (C) Amb. Capunay said the GOP supported lifting the moratorium on new APEC members, and had spoken to that effect for the past several years. He said Australia was now supporting a lift in order to admit India, which doesn't even

LIMA 00003489 002 OF 002

have a Pacific coast. The GOP is not opposed to adding India, as long as the principle of regional balance is maintained and one or two (given India's size) Latin American economies are also admitted. Amb. Capunay said Peru would back the entry of Colombia and Ecuador, while the Central Americans would likely support adding Panama or Costa Rica. He said that APEC operated by consensus, and that none of the Latin American countries would support adding India without also adding a Latin economy.

POSSIBLE BILAT REQUEST IN HANOI

¶18. (SBU) Even though President Bush will meet President Garcia in October in Washington, the GOP may also request a bilateral meeting on the margins of the APEC meeting in Hanoi.

TRADE AND DOHA

¶19. (SBU) Amb. Capunay made clear that Peru is committed to making Doha a success, and would support any APEC initiatives to that effect. However, he said that APEC members should have a contingency plan in case Doha completely fizzled. He said that the GOP was paying special attention to this in preparation for hosting APEC in 2008. If Doha fails, the GOP supports an Asia-Pacific Free Trade Agreement (FTA) as an alternative. He noted such an FTA would have to be binding (unlike most APEC decisions), unless it was based on "best practice" norms that members would voluntarily work towards (he cited the World Bank's Multilateral Investment Guarantee Agency, or MIGA, as such an arrangement).

ANTI-CORRUPTION

¶110. (U) Amb. Capunay said that anti-corruption initiatives were one of Peru's 2006 priorities, and would also be a key theme when Peru hosts in 2008. He said the GOP would ask the USG to co-sponsor a concept paper at SOM-III on

anti-corruption. The GOP also hopes anti-corruption will be reinforced in the text of the ministers' or leaders' meeting this year as well. In preparation for addressing anti-corruption in 2008, Peru would like to host a meeting on anti-corruption in November 2007. The GOP has already exchanged letters to that effect with the American Bar Association, Transparency International, Interpol, the United Nations, media, and the State Department (David Luna).

OTHER GOP PRIORITIES

¶11. (U) Amb. Capunay listed GOP priorities for APEC 2006 as: Doha, security, technical cooperation, trade facilitation and liberalization, anti-corruption, and small and medium enterprises. For APEC 2008 in Peru, the GOP plans to prioritize: bridging the digital gap, biodiversity, small and medium enterprises, Doha or a Doha alternative, and anti-corruption.

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